



FIGHTING GLOBAL POVERTY

This Way to Dystopia

Exposing UNIQLO's abuse of Chinese garment workers

THIS WAY TO UTOPIA

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SACOM

Student and Scholars against Corporate Misbehaviour (SACOM) is a nonprofit organisation founded in Hong Kong in 2005. It originated as a students' movement and now aims to bring front line workers, concerned students, scholars, labour activists and consumers together to fight for a workplace in which workers can work with dignity, receive fair wages for their labour, and be leaders in the workplace. SACOM is especially devoted to the investigation and advocacy of labour rights in the garment, electronics and toys industries, and has campaigned against global brands including Disney, Apple, American Eagle and UNIQLO.

China is the biggest exporter of ready made clothes monopolising nearly 40% of the global garment industry. Driving China's \$187 billion garment trade are over 10 million garment workers who toil under oppressive and exploitative working conditions, mostly for high street brands.

On paper, China has some of the most progressive labour laws in the region, providing job security, limiting overtime, setting minimum wages, providing social security and insurance and protection of dismissed workers. Unlike most other garment producing countries, China's minimum wage has been rising by 13% each year.

However, while business from foreign brands is booming, the fundamental human right of workers to form and join independent trade unions is banned in China. Driving a race to the bottom on wages and working conditions, brands expect low production prices and a compliant workforce and this is guaranteed by governments and upheld by factory owners out of fear of losing foreign business. Exploiting this arrangement is Asian retail giant, UNIQLO. Fighting back against this is a growing force of labour organisations, like War on Want's partner, Students and Scholars against Corporate Misbehaviour (SACOM).

This report presents the findings of undercover investigations undertaken by SACOM into four of the 70 factories producing for UNIQLO. These factories are kept secret by UNIQLO allowing it to abuse and exploit workers with impunity. In this report the disconnection between the utopia that UNIQLO presents to the public and the lived experiences of garment workers in their supplier factories is highlighted: working days of up to 20 hours, seven days a week in dangerous working conditions facing severe

harassment. Worse of all has been the strategic crackdown on workers who fight back.

Global initiatives that try to get garment corporations to take responsibility for their factory workers are voluntary, weak and toothless mechanisms. Garment corporations, like UNIQLO, have never been called to account by national governments or international bodies for their abuse of garment factory workers. While concerned stakeholders work to gently nudge garment corporations to consider taking responsibility for their factory workers, SACOM have taken a more direct approach in exposing the insidious reality of these voluntary initiatives that whitewash corporate rhetoric, highlighting the real impact that the culture of impunity has on the daily lives of workers.

SACOM's undercover investigations led to significant improvements in factory conditions for UNIQLO's workers, but for the pending cases of hundreds of dismissed workers in supplier factories in China and Cambodia, justice is still out of reach. Together with SACOM, War on Want is demanding supply chain transparency in the garment industry. Knowing which factories brands produce in allows workers to directly target the companies they are producing for providing a long overdue shift in the balance of power in the garment industry. War on Want is also supporting the call for binding international legislation to hold corporations to account and end the impunity with which corporations operate.



Steve Preston
Chairperson

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1.1 China's garment industry

China is the leader of the global garment export industry with an annual value of \$187 billion, cornering 38.6% of the global market.¹ In 2012, China made 43.6 billion garments with an export value of \$153.2 billion. By 2013, the export value had increased to \$164.13 billion. In the first half of 2016, China had already clocked up \$47 billion in global garment exports.² Driving the industry are over 100,000 garment manufacturers employing over 10 million garment workers.³

Its garment exports to the UK amount to \$12 billion representing 24% of Chinese exports to the UK.⁴ UK high street brands such as Primark, H&M, GAP, Mango, Zara, Lululemon, and online stores such as Boden and Matalan all produce garments in China.⁵ China is part of a global garment industry where fashion brands have evaded responsibility for the rights of workers

producing for them. They have done this by hiding behind complex supply chains and keeping factory workers at arms' length by not directly employing them. The garment industry moves across the globe searching for the lowest possible production costs, driving a race to the bottom in wages and working conditions.

China's garment industry has historically been located in the established southern coastal areas close to Hong Kong. Recently, many factories have been relocating inland in pursuit of cheaper labour costs.

1.2 The rise of workers' power and China's labour law reform

China has long led the race to the bottom on workers' wages and working conditions to create the requisite financial incentives for international brands. However, its labour laws attempt to secure rights of workers by improving job security, limiting overtime, setting



UNIQLO's store front in London



the minimum wage and providing compensation for dismissed workers. As such, the minimum wage in China has been increasing by around 13% each year until 2016.⁶ For garment workers in China, this means that they are legally entitled to receive one of the highest minimum wages in the region, second only to Malaysia.⁷

The shift in legislation and policy has largely been driven by the rise of activism from China's labour movement, supported by civil society groups. Strike and protest action has been on the rise for some time as Chinese workers push back against Chinese producers and the international brands they produce for. Workers have been demanding better wages, working hours and conditions by engaging in strikes and forcing employers and brands to the negotiating table.⁸

Hong Kong-based groups play a significant role in supporting the factory workers in mainland

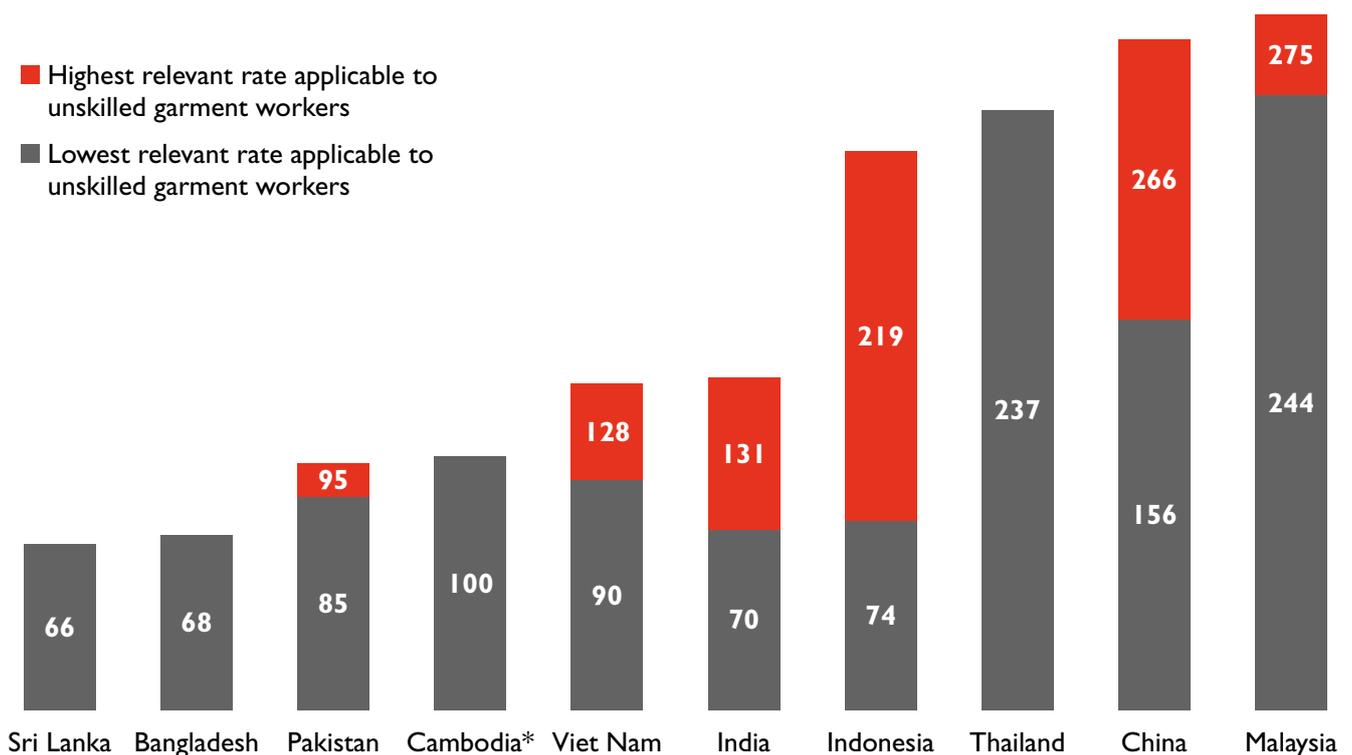
China. Independent trade unions and labour rights groups can openly function in mainland China, with the support of civil society. These groups play a strategic role in connecting the international arena with worker struggles in mainland China. This has created the space for greater awareness of workers in China among Western consumers as well as for solidarity between Chinese workers and garment workers in other countries.

SACOM has been central in exposing the link between poor working conditions and corporate impunity of international fashion and electronics brands. By implementing its methodology of evidence-based advocacy, SACOM has campaigned to secure improved labour rights for workers in factories that produce for global brands Apple and Disney. However, as much as workers have been pushing back, the situation for workers is worsening.



Monthly minimum wages of garment workers in the region (US\$)

- Highest relevant rate applicable to unskilled garment workers
- Lowest relevant rate applicable to unskilled garment workers



1.3 The reality of working conditions in Chinese factories

While the Chinese government has initiated labour law reforms, it has omitted crucial rights that would result in real change for workers. The Chinese government still denies workers the right to form and join trade unions of their choice. Only those independent trade unions that are affiliated to the All-China Federation of Trade Unions (ACFTU), the state-run trade union federation, are recognised – any independent unions are forbidden and repressed. Workers are also denied the right to collectively bargain and the right to strike is severely (and often violently) limited, both in law and in practice.

Despite China having the second highest minimum wage in the region, this basic wage does not come close to covering living costs forcing workers to make ends meet through long hours and overtime payments.

Wage setting takes place in a decentralised way – city and provincial governments have the authority to set the minimum wage, resulting in substantial differences in minimum wage levels across China. Workers in established coastal hubs like Shenzhen can earn up to \$299 per month while workers in remote and inland cities like Yichuan can earn up to \$127 per month. Cities in the interior are also luring manufacturers inland by promising tax breaks, better transport links and higher productivity from a large labour pool.⁹ Another factor driving the move inland is that it makes the organising of workers by Hong Kong-based labour groups more difficult, making an understanding of labour rights difficult to access for these workers.

To ensure China remains competitive, factories in the established coastal production areas are facing mass closures with relocations

to new, inland production hubs. Often factories are closed overnight, without warning to workers who arrive at work to find the gates locked, factories gutted of machinery and the factory owners nowhere to be found. Workers are left without compensation, with unpaid wages and unpaid pensions. The increase of strikes and protest actions in the last few years has corresponded with the increase of coastal factory closures. Coastal provinces like Guangdong reported 361 strike actions in an 18-month period from January 2015 to July 2016.¹⁰

Workers in the garment industry in China are also treated differently depending on whether they are city born, rural migrant or women workers.

Rural migrant workers, through the 'hukou' system, are denied the equivalent access to

The isolated life of internal migrant garment workers

Most garment workers are internal migrants from rural parts of China who have moved to industrial cities in search of work. Their first languages are often not Mandarin and cultural backgrounds vary vastly. With measures taken in factories to pit workers against each other the opportunity to build social bonds is limited. Cramped dormitories are shared between workers on night and day shifts. A quiet space for workers to rest must be maintained at all time thus limiting conversations and socialising between workers. With dormitories and factories in the same gated complex, workers' lives are confined to a small radius. There have been wide reports of severe loneliness, depression and suicide.



Strike action in manufacturing industry, China (2015-2016)

06



Source: www.cib.org.hk

state benefits and protection granted to their urban-born counterparts. The 'hukou' system ensures that welfare entitlements such as pensions, housing and education are tied to a person's place of birth. Moving from the village to a city or from a rural town to the coast means that migrants lose their welfare entitlements. However, with extreme poverty in rural parts of China, people have no option but to move in search of an income – forcing them to forfeit the welfare benefits. As the garment industry is in constant flux, rural migrant garment workers remain in a state of precariousness.

Women workers also suffer serious gender discrimination though Chinese labour law. The retirement age for women is set at 50 years (with men being able to retire at 60). This means that women workers who continue to work beyond the age of 50 – which is

very common for survival – do not continue to receive employer contributions to their pensions. Similarly, employers are at liberty to keep women on temporary contracts with little stability and low wages.

Ageing migrant workers are a growing group in China. The reason behind many industrial disputes is that pension contributions are not being paid by employers. Factory closures are leaving middle-aged workers unemployed and unable to find permanent jobs. Receiving a pension is crucial for the survival of ageing workers, and mandated by law.

For workers who have spent their lives working in factories, earning poverty wages without the capacity to save, receiving their pensions and being entitled to welfare benefits is crucial for their basic survival in old age.

2 SACOM's investigations in UNIQLO factories

In neighbouring Hong Kong, where a free media and independent trade unions are allowed, a vibrant network of labour organisations are committed to educating their fellow workers in mainland China, exposing their exploitation and raising awareness of their resistance. Central to this activism and advocacy is SACOM.

2.1 SACOM

SACOM is a labour-rights NGO based in Hong Kong. It emerged in response to the injustice of corporations benefiting from the exploitation of cheap labour and the culture of corporate impunity fuelling labour abuses in mainland China.

SACOM has made rigorous research the cornerstone of their work. They have exposed the disconnect between what has

been written in Chinese labour laws, the commitment to conditions made by fashion brands and the reality of working conditions in factories. Working with a close network of researchers willing to pose as factory workers for weeks at a time, SACOM has been able to document the reality for workers in factories. The undercover investigations are undertaken with great risk yet they remain committed supporters of factory workers and continue putting themselves forward for this work.

SACOM has campaigned against supply chain exploitation of recognisable corporations like Apple and Disney that produce in mainland China for sale internationally. Their work has led to significant improvements in the factory conditions for workers in the supply chain of these companies. In the process of holding high profile, targeted campaigns, SACOM has also educated consumers of the social costs of purchasing popular products made in China.



SACOM protest outside UNIQLO store in Japan



SACOM also works closely with workers on the factory floor providing in-factory training to workers on how to organise. This is done with the aim of supporting democratic elections for worker-led committees in factories. Supporting the call from the global garment workers sector, SACOM sees the best way to ensure workers' rights is by securing the right to collectively organise in factories.

2.2 UNIQLO's 'utopia'

UNIQLO is a Japanese casual wear brand and a wholly owned subsidiary of Fast Retailing Co Ltd. UNIQLO is the fourth largest fashion brand in the world with 1,797 stores worldwide.¹¹ Fast Retailing also owns other fashion brands Theory, Helmut Lang, J Brand and Princesse tam. tam.

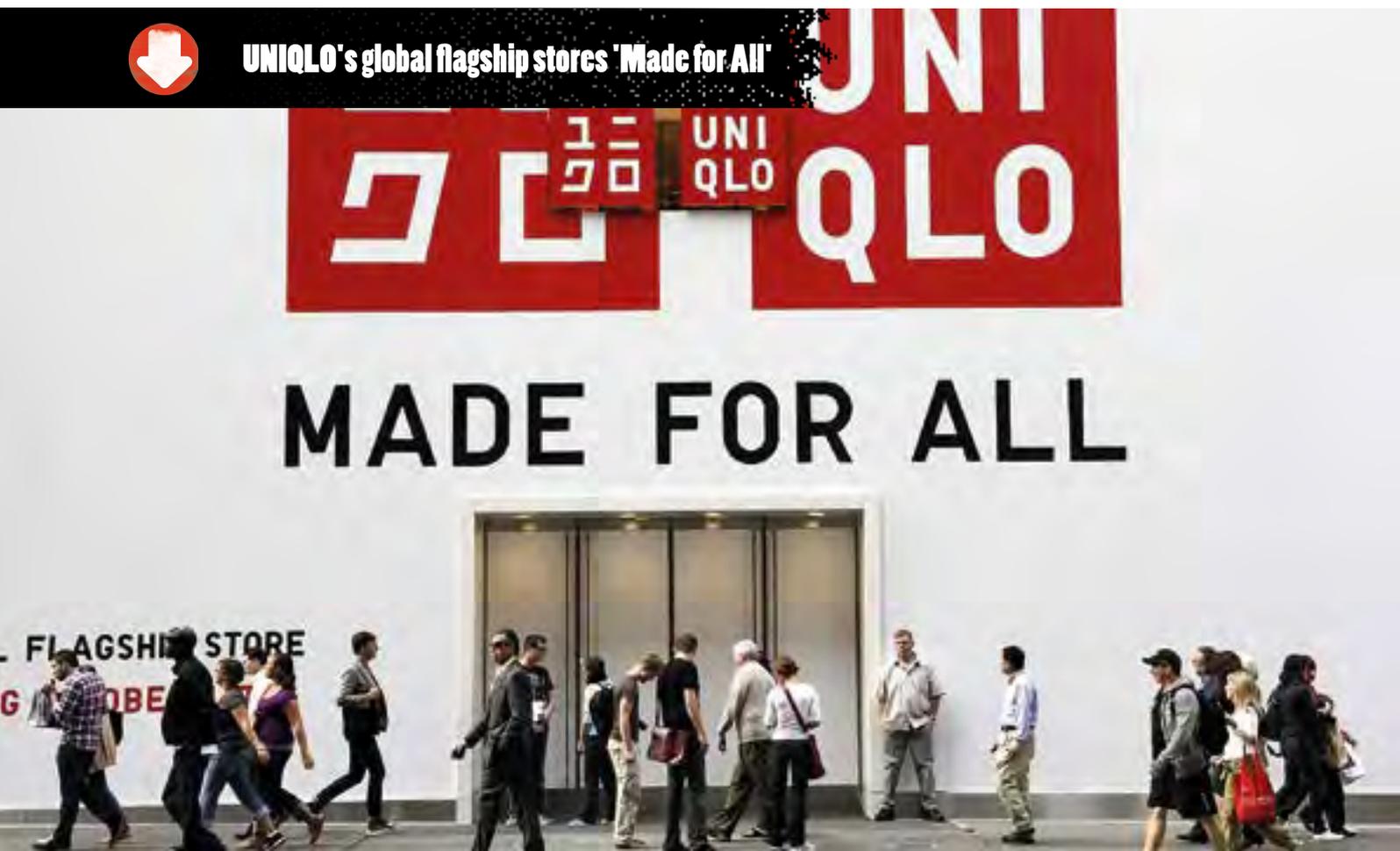
UNIQLO has 36 stores in Europe with 10 of them located in the UK, including its

4-storey flagship store in Oxford Street, London. The brand is determined to grow as a mainstay of the British high street with a focus on well-made basics. UNIQLO is committed to presenting itself as an ethical brand with a commitment to 'making the world a better place'.¹²

UNIQLO and its parent company Fast Retailing appear to take their social responsibility seriously. They see their relationship with the 70 factories as more than just business dealings and closer to long-term partnerships. This manufacturing structure is unique to UNIQLO, with most other fashion brands having a far larger and fragmented supply chain, for example, H&M has well over 400 factories in China, the same number in Bangladesh, with manufacturing taking place across over 35 different countries. In contrast, 90% of UNIQLO products are manufactured in China.¹³



UNIQLO's global flagship stores 'Made for All'



Much of their focus is on securing high quality, mass produced garments.¹⁴ Stringent quality control of the clothes, allowing for only a 0.2mm margin of error, is closely monitored by the brand which has invested in 400 expert engineers to 'help improve product quality and production processes' on site in their contract factories.¹⁵

In addition, as part of its Corporate Social Responsibility (CSR), Fast Retailing has a policy governing its responsibility to its employees. It has produced a Code of Conduct for its partner factories manufacturing for their brands.¹⁶

The Code of Conduct contains key guidelines such as the prohibition of child labour, sets limits on overtime work and promotes freedom of association. All Fast Retailing suppliers have to submit a written pledge to uphold the Code of Conduct. The CSR monitoring reports are made public. Fast Retailing has also set out its monitoring of workplace conditions in its CSR reports. In it Fast Retailing states that 'the monitoring of working environments by Fast Retailing and its partner factories is essential to ensuring that safe and appropriate working conditions are maintained and to creating a mutually beneficial cycle of raising productivity, quality and employee satisfaction.'¹⁷ This monitoring is done through a network of on-site factory management teams and in-house auditing systems.

Displays of ethical commitment are not confined to conduct within UNIQLO's own supply chain. Parent company Fast Retailing engages in various unrelated charitable ventures. For UNIQLO, its CSR is important to portray itself as a positive, responsible company and to attract a particular kind of consumer for whom this is key.

Together with United Nation's Children's Fund (UNICEF), UNIQLO has undertaken the

UNIQLO's billionaire CEO

CEO of UNIQLO and parent company Fast Retailing is Tadashi Yanai, the richest man in Japan, worth \$16.3 billion and one of the 50 richest people on the planet.



Gaining inspiration from the CEO of GAP, whom he calls 'Professor' out of respect, Yanai is determined to dominate the fashion world aiming to lead the biggest brand by 2020. Projecting an ethical approach to production is important to Yanai, though cracks in the veneer of ethical practice threaten to shatter UNIQLO's reputation.

In 2011, the 'extremely harsh, slave-like labour conditions' in UNIQLO's factories were made public. Yanai moved swiftly to silence this dissenting view by instigating a legal challenge. He lost both the initial case as well as the appeal in the Supreme Court.¹⁸ In the same year, Yanai transferred \$5.3 million of his Fast Retailing shares to an asset management company he set up himself in the Netherlands, in what appears to be an attempt at tax evasion.¹⁹ In 2015, the total dividends from Yanai's shares exceeded \$17.7 million. If he had paid tax, this would have contributed to almost \$7 million in taxes for Japan's public purse.

Clothes for Smiles Programme worth \$10 million. It includes the following projects:²⁰

- The Shopping Experience Project gives disadvantaged children the chance to choose clothing they want at selected UNIQLO stores so they can discover the experience of shopping. Children are given shopping vouchers to shop at a UNIQLO store to help them build interpersonal skills

and manage a limited budget.²¹ The project also provides space for refugee children to freely express their feelings about choosing their own clothes

- The Girls Soccer Project has been set up in Bangladesh, Zimbabwe and Ghana. The aim of the project is to 'help girls develop a sense of social discipline, so they can succeed at school and become valued members of their communities.'²²

UNIQLO has also tried to set itself apart from those garment manufacturers named in Greenpeace's campaign exposing big brands implicated in the use of toxic chemicals and environmental degradation in their manufacturing processes.

UNIQLO signed up to the Greenpeace Detox Challenge as a corporate leader in environmentally friendly manufacturing processes.

For its factory workers, UNIQLO has set up the Factory Worker Empowerment

Project in partnership with Business for Social Responsibility.²³ Implemented in Bangladesh and Indonesia, the project provides educational support for women garment workers. It focuses on helping workers acquire knowledge and skills on basic nutrition, hygiene, healthcare and household management.

2.3 SACOM's methodology

In 2014, SACOM decided to investigate UNIQLO to assess whether its outward commitment to making the world a better place and ensuring the human rights of its workers was the reality for workers on the factory floor. SACOM investigated Pacific Textile Ltd and Dongguang Tomwell Garment Co Ltd, two factories supplying UNIQLO in China. In 2016, SACOM reinvestigated Pacific and Tomwell and included two new factories, Jintan Chenfeng Clothing Co Ltd and Dongguang Crystal Knitting and Garment



UNIQLO signs up to Greenpeace Detox Campaign

Great news!
UNIQLO begins 2013
with a Detox

www.greenpeace.org/detox



Co Ltd to provide the most representative data on factory conditions.

These factories were chosen based on UNIQLO's own public classification of them as best-performing factories with ethical practices.²⁴ The investigations of these factories were conducted with the expectation that of the 70 factories producing for UNIQLO, working conditions in these factories were likely to be among the best.

SACOM investigators posed as general workers in the factories, collecting primary data regarding the working conditions. Documents such as workers' contracts, salary slips, working hour records, rules and regulations and disciplinary fines were collected during the investigation period. Researchers also conducted interviews in the immediate vicinity of factories such as dormitories, restaurants and food stands. Some interviews were followed by online interviews with workers that the undercover investigators were familiar with so that the most up to date information about conditions in the factories could be collected.

Interviewees came from different departments of the factories including dyeing, quality control, knitting, cutting and sewing, ironing and finishing departments. Pacific Textiles and Tomwell Garment factories were investigated twice to verify the findings and to follow up to see if Fast Retailing and UNIQLO had made any improvements.

SACOM released two reports of their findings, accompanied by broad media coverage and a high profile campaign in China, Japan and Taiwan. This advocacy was aimed at educating consumers as well as pushing UNIQLO to respond to the findings and improve working conditions.

TIMELINE OF SACOM INVESTIGATION

-  **September 2014**
 SACOM conducts factory investigations
-  **January 2015**
 SACOM releases findings in report
 Fast Retailing issues response
-  **January 2015**
 Fast Retailing issues corrective plan
-  **March 2015**
 Email exchange between SACOM and Fast Retailing
-  **April 2015**
 SACOM conducts investigation into two more UNIQLO factories
-  **July 2015**
 Fast Retailing issues corrective plan progress report
-  **August 2015**
 SACOM responds to progress report
-  **October 2015**
 SACOM conducts follow up investigations into both factories to make independent assessment of improvements
-  **November 2015**
 SACOM releases second investigative report including both original factories, and an additional two UNIQLO factories
-  **January 2016**
 SACOM releases revised version of report

3 Key findings: UNIQLO's factory dystopia

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This Way to Dystopia: Exposing UNIQLO's abuse of Chinese garment workers

SACOM's undercover investigators witnessed and experienced shocking human rights abuses. From long, excessive and unpaid overtime to chemically hazardous workplace environments, it became clear that UNIQLO was far from the ethical brand it was trying to portray to the public.

3.1 Excessive working hours and unpaid overtime

Fast Retailing's policy states that overtime is the exception and that working hours are closely monitored across all departments to ensure that workers are not working excessively long hours. SACOM's investigations found this not to be the case in the first two factory investigations, nor did they find this in Chenfeng and Crystal factories after UNIQLO's corrective plan was rolled out.

The Chinese standard for working hours per month is 174 hours. Workers in all four factories were found to be working in excess of the statutory provision. In addition to the standard 174 hours workers in all four factories were working the following overtime hours:

- In Pacific, workers were working 134 hours of overtime per month
- Tomwell's workers were required to work 112 hours of overtime
- In Chenfeng, workers were working 80 hours overtime per month
- Crystal's workers were working 150 hours overtime — nearly the equivalent of two full time jobs for less than a living wage.

In some cases this required workers to work a 17-hour day from 7:30am to midnight, seven days a week. Often they were not given leave

to take a rest with workers working these excessive hours for two months straight.

During the peak season, workers had to soak their feet in hot water to relieve pain and fatigue, after long hours of standing. Workers can apply to not work overtime but many don't because of fear of losing their jobs or creating a hostile work environment. A young female worker who works in quality control in Dongguang Crystal Knitting and Garment Company said:

'I don't want to work overtime. My feet went swollen after standing for work for so long. I often tell the line leader that I don't want to work overtime. He has a bad impression of me now.'

Another male worker who had been working for two years in the printing department of the same factory said:

'Sometimes I work for 1-2 months, till 11pm or even midnight! I start at 7:30am.'

It was also found that workers were forced to work overtime because their wages fell well below the minimum wage for the region. The basic wage they were receiving barely covered their subsistence let alone being a living wage. The wages in the factories ranged from \$196 to \$231 per month. Taking overtime work was a way of earning enough to survive.

However, many workers in the factories found that they were not being properly paid for their overtime. Statutory provisions on overtime stipulate that workers are to be

paid double their wages for working overtime on weekends, but wages for the workers in these factories were being calculated at one and a half times the basic wage. The law also provides that if the worker, whose wages are calculated by piece rate, is required to work overtime, the employer has to pay the worker for his/her overtime or extra shift wages not less than 150 to 300% of the normal piece rate wage. However, it was found that workers working overtime were being paid the standard piece rate.

3.2 Unsafe working environments

Fast Retailing states that it takes the 'utmost care to protect the health and safety of

its employees, in compliance with national laws... [and it] takes special care to create safe workplaces and prevent employee accidents on the job and while commuting.¹²⁶ SACOM found that workers in Pacific and Tomwell were subject to working conditions which included extremely high shop floor temperatures, unsafe facilities, no protective gear, poor ventilation with high cotton dust levels in the air, the use of toxic chemicals and high risk of electricity leakages.

It was found that the temperature on the knitting floor of one of the factories was 38 degrees Celsius. Workers had no protective gear and some male workers were observed working topless, whilst women workers were seen working in sweat-drenched clothes. Workers in the dyeing department were



Garment worker working in high temperatures, Pacific



expected to work with fabric loads of up to 600kg in high temperatures with no protective gear, risking burns or chemical exposure.

Investigators found that some of the factories had poor ventilation and in one case the ventilation was switched off for the entire duration of the investigation. They found that there was a high density of cotton fibre in the air with a risk of causing byssinosis – a serious occupational asthma and respiratory irritation. Furthermore, cotton dust is combustible and has been the cause of dust explosions in textile plants in China.

During the undercover investigations it was also observed that workers had to stand on 2-metre high stepladders while working with rolls of yarn. Falls from this height are common in the factories as workers try to load the machines with yarn. They become more common as workers are

rushing to meet productivity targets under high pressure.

In each of its CSR reports Fast Retailing does acknowledge that sewing machine accidents and falling from stepladders in stores still occur.

Investigators also found that Pacific and Tomwell factories were using harmful chemicals in their production processes. As a result harmful, toxic waste water was regularly seen flooding the factories' floors. Unregulated exposure to chemicals was widespread and many workers were exposed to high risks of electrocution due to 'electric leakages'.

This is in direct contradiction to UNIQLO's public statements of being a corporate leader in environmentally friendly manufacturing processes. It is no wonder that in 2015, the



Chemical waste flowing on the factory floor, Pacific





Newsweek Green Ranking – one of the world’s most recognised and respected assessments of corporate environmental performance – ranked UNIQLO very poorly, giving only a 29% rating which put them behind most large companies, scoring 362 out of 500 companies.²⁷

3.3 Punitive measures

UNIQLO and Fast Retailing purportedly prioritises the physical and emotional wellbeing of its retail employees over the employees on the factory floor. As part of its CSR initiatives for retail employees, Fast Retailing has invested in wellness centres as well as having in-house mental health counsellors. It has put in place mechanisms for reporting workplace stress and a system for rectifying any stressful situations. There is also a prohibition on corporal punishment, physical, sexual, mental and verbal harassment including withholding or deducting money as a form of disciplinary action. However SACOM found that these measures to ensure physical and emotional wellbeing were not implemented in factories producing for UNIQLO. In Pacific Textiles there were 58 types of regulations set for punishing workers – 41 of them included fines.

Workers’ wages were being deducted if the quality of their work was not up to standard or if they were found resting outside of their 30-minute lunch and dinner breaks. Fines were also used as a way to control product quality and manage minor mistakes.

At Tomwell factory a worker had his entire wage for the day deducted when he was caught attempting to iron two sleeves at the same time instead of one sleeve at a time. In Crystal factory, workers were encouraged by management to report the mistakes made by colleagues. Money was deducted from the salary of the worker who made the mistake, and transferred to the salary of the worker who had reported the mistake – thus turning workers against each other and creating a culture of mistrust. This was found after UNIQLO had set out its corrective action plan.

Managers regularly used the factory broadcasting system to name and shame workers who weren’t hitting their production targets. Chenfeng regularly set the daily productivity target at 8am and 3pm. If workers could not reach the target, other workers would have to take on the extra work, adding to the stress of being bullied over the

broadcasting system, for example, '[Worker name], what happened to you! What has happened, can't you even concentrate at work! Your productivity today is lower than yesterday!' All of these punitive measures have contributed to a hostile work environment that workers have broadly cited as very stressful.

3.4 No unions allowed

Fast Retailing publicly states that its production partners 'shall respect the right of workers to associate, organize and bargain collectively in a legal and peaceful manner without penalty, interference, or coercion, and in accordance to the Laws.' This is in keeping with its promise to uphold human rights at all levels of its operations.

However, through SACOM's investigations it was found that workers have no platform to

voice their concerns. There is no collective, democratic body representing workers in negotiations with management. In the Pacific factory the chairperson of the 'union' is also a manager at the factory, violating China's own labour laws. The union in Pacific is completely ineffective in dealing with labour disputes or advocating for workers' rights, choosing to organise leisure activities and distribute welfare benefits instead.

Investigators also heard that when workers organised a strike against the low wages at the Pacific factory in 2009, the management hired gangsters to physically assault the workers' leaders and suppress the strike. In other incidents, police were called into factories to squash strike action and, in the case of workers leading a strike against high temperatures on the shop floor, they were dismissed.



SACOM's press conference, Japan



SACOM published the results of the investigations in Pacific and Tomwell factories in January 2015. The report received widespread media coverage internationally. The response from UNIQLO was swift, with parent company Fast Retailing immediately issuing a statement on its website. In the statement, Fast Retailing admitted to SACOM's findings of rights violation, after conducting its own independent inspection of both factories: 'We confirm that, regrettably, the inspection found several problems including long working hours.'²⁸

Fast Retailing, however, disputed SACOM's other findings stating that these were 'differences of opinion'. They did not offer to explain the different views that were held on the issues. The fact that Fast Retailing felt that the conditions were somehow open to interpretation was of concern to SACOM.

However, SACOM was not surprised that Fast Retailing was sweeping the serious rights violations under the carpet. In investigations conducted in Chenfeng and Crystal Group, SACOM found that monitoring working conditions through factory audits was deeply flawed. Investigators found that workers were bribed and coached by factory managers into giving responses the factory wanted them to give. For example, workers were given a cash reward by factory management if they lied to auditors. In some cases, workers were asked by auditors if they worked on weekends. If they lied and said no, factory management would give the compliant worker a cash reward amounting to a quarter of the total monthly wage.

Other instances where workers were made to cover up their own rights abuses included:

- Being forced to sign papers to say they had

received training when they hadn't

- Not being given pay slips and instead being told to sign salary sheets where it stated that they were paid a basic wage when they were only paid a piece rate
- Not being allowed to mention that they did not receive protective equipment
- Protective equipment was only issued to workers before audits and removed once auditors left.

UNIQLO has made public, through its CSR reports, that there are significant labour violations within their partner factories. These were picked up in their own factory audits which were undertaken specifically to monitor working conditions.

After the release of the initial Pacific and Tomwell factory findings by SACOM and UNIQLO's response, the company continued to monitor both factories to ensure that the corrective measures they had put in place were being implemented. However, when SACOM returned to the two factories for their follow up investigation, they found that while some violations had been rectified, the serious violations had been left to persist.

UNIQLO's factory audit results show that between 2010 and 2015, 55% of factories had at least one major or serious violation of the Code of Conduct. This included 42 factories which were found to have 'highly unethical, serious offenses subject to immediate review of contract.'²⁹ With factories hiding their failings from auditors, it is quite likely that the true figures are much worse. It is impossible to have a full picture of working conditions without brands like UNIQLO publishing the details of their manufacturing supply chain. Hiding these details demonstrates a lack of transparency, inconsistent with claims of corporate responsibility.

What the factories fixed

Overtime hours had been reduced

Overtime premium was paid

Ventilation was improved by building windows

Temperature was reduced, air-conditioning installed

Waste water draining had been improved in Pacific

What wasn't fixed

Pacific still polluting with hazardous waste

Pacific still exposing workers to harmful chemicals

Pacific not providing workers masks unless requested

No health and safety training in both factories despite workers reporting being injured by heavy machinery

Both failed to give workers the results of their medical check-ups

Unpaid housing provident fund in Tomwell. In Pacific, workers denied access to housing provident fund

Basic wage in both factories the minimum wage, less than half the living wage

Illegally high overtime hours, between 80 and 100 hours in both factories

Tomwell wages calculated by piece rate, rather than legally required overtime wages

Worker representation unfulfilled in both factories – no democratic election of worker representative

With UNIQLO's 400 quality control and monitoring staff having a regular presence in partner factories, the idea that the company was not aware of labour abuses in factories is questionable. After SACOM's release of the 2016 report UNIQLO ceased responding to investigations. The lack of response to the serious labour violations is not confined to the four factories investigated by SACOM. The two cases below demonstrate that any corrective measures taken in response to SACOM's initial report were confined to the two investigated factories. Both cases below remain unresolved at the time of publication and UNIQLO has been unresponsive to pleas for help from workers.

5.1 The case of Artigas Clothing

In June 2015, the Artigas Clothing and Leather factory in Shenzhen, China, shut down without notice and refused more than 500 workers severance and social insurance payments. The factory was a major contract manufacturer for UNIQLO and one of the 70 factories which the company had a close relationship with.

Most of the workers were women close to retirement age who had been working in the same factory for over 10 years. The factory had not been contributing to their pension and workers reported that factory conditions and hours had long been intolerable.

In December 2014, when workers first heard of the possibility of factory closure, 1,000 workers went on strike demanding that the company pay their pension and overtime payments. The police and factory management worked together to shut down the strike and workers were forced to return to work with

their demands unmet. In June 2015, around 500 workers slept in the factory for weeks, in an attempt to ensure the factory would not be closed without receiving their unpaid severance and pension payments and in the hope that factory owners would speak to them collectively.

Management rejected the call for collective bargaining and said they would only agree to meet with workers individually. This is a common union-busting tactic used to diminish the power of striking workers. With collective bargaining rejected, half of the workers petitioned the Guangdong Provincial Government to resolve the dispute while the other half remained at the factory. This resulted in violent police repression and detention of 150 workers who attempted to peacefully engage authorities in order to resolve the dispute.

The National Social Security Fund is a system that includes five elements including a pension fund for workers who jointly contribute to the fund with their employers. In order to qualify for this pension upon retirement there is a minimum threshold for the number of years which contributions have been made, usually around 15 years. This becomes a problem for workers who have worked in a single factory for many years where the employer has not contributed to their pension at all. Employers are only obliged to back-pay just two years' worth of pension – the rest is simply denied to workers. With the support of this law, which guarantees a win in the courts, brands and their factory suppliers are enabled to deny workers their rights to retire in dignity.



Some workers were arrested in night raids carried out by police while they slept. One of the workers arrested was a female leader who was detained for a total of four months. The female worker's indefinite detention was used as a way to coerce workers to sign a 'voluntary resignation' if they wanted her to be released.

The factory management visited the homes of 359 workers who were coerced into signing, going to extraordinary lengths to deny workers their rights.

Fast Retailing issued three statements in response to the dispute to assert that respect for human rights of workers was most important for them. However, this was not backed up by action. Instead, workers were forcibly removed to work in another factory – Lever Style – and workers who joined the collective action were dismissed.

The workers filed a lawsuit for illegal dismissal and not paying the correct amount

of compensation. The case received significant media attention and has triggered a formal complaint being submitted about UNIQLO to the Organisation for Economic Co-operation and Development (OECD) for flouting the Guidelines for Multinational Enterprises. Despite UNIQLO being aware of the situation, it has done nothing to support the workers who have been denied their basic rights in contravention of the law.

5.2 Beyond China: the case of Zhong Yin factory, Cambodia

Labour rights abuses in factories producing for UNIQLO are not limited to their Chinese manufacturers. An ongoing case in the Zhong Yin factory in Phnom Penh, Cambodia points to an entrenched culture within UNIQLO and Fast Retailing of ignoring the serious violation of workers' rights. The factory currently employs over 1,000 workers and they produce mainly for UNIQLO.

According to the Coalition of Cambodian Apparel Workers' Democratic Union (CCAWDU), 6,715 people were dismissed due to their active participation in labour unions in 2014. 60% were female workers. In late 2015, 50 workers were dismissed for being union members. The dismissals followed the union-led negotiation with the factory. In December 2015, the Arbitration Council ordered the reinstatement of all 50 CCAWDU members. However, Zhong Yin factory refused to respect the Council's award.

As is their right under the Cambodian Labour Law, CCAWDU commenced a strike in February 2016 calling for the implementation of the award. The factory's response was to terminate another 55 workers. Contract renewals are carried out every three months, and workers who were members of a union were refused contract renewals.

Other labour violations in Zhong Yin mirrored those found in the other four Chinese factories that SACOM investigated. They include excessively long working hours, no overtime pay, precarious work contracts and unsafe working environments. Precarious work contracts are temporary and provide little stability.

The worker said, 'I must work overtime, otherwise my contract would not be renewed. I must obey'

A male worker at Zhong Yin reported that he was forced to work overtime almost every day. Sometimes he was forced to work for 24 consecutive hours.

He reported that workers were not paid any overtime wages for hours after 6pm. This is

a contravention of Cambodian labour laws. The worker also claimed that many workers frequently fainted because the temperature in the factory was very high and there is no air conditioning.

Although workers were provided with masks to protect against the chemicals used in the factory, they did not use the masks because of high temperatures. Wearing the masks in high temperatures makes it difficult to breathe.

In April 2015, UNIQLO stated that it was undertaking an investigation in the factory after workers reached out to the brand. In August of the same year, it issued a statement stating that 'the investigation found no evidence of long working hours, such as 24 consecutive hours of work, nor unpaid wages, as mentioned in the report.'

No mention was made in this statement of the concerns with union busting, difficult working conditions, precarious contracts, and non-payment of overtime wages. In March 2016, the factory issued court proceedings against CCAWDU union leaders for inciting workers to conduct a strike. This criminal charge was instituted despite the Cambodian Constitution and Labour Law guaranteeing workers' right to strike. A second complaint to the OECD about UNIQLO will be submitted based on the flagrant abuse of labour rights in the Zhong Yin factory in contravention of the Guidelines for Multinational Enterprises.

Workers in the Artigas factory in China, as well as the Zhong Yin factory in Cambodia, are still fighting for UNIQLO to support them. The mostly female workers who have been unfairly dismissed continue to fight for reparations and are in an increasingly difficult position as they are unemployed and unable to support themselves and their families.

6 Conclusion

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This Way to Dystopia: Exposing UNIQLO's abuse of Chinese garment workers

This report has exposed the disconnect between the laws that are passed to protect workers and the violation of those rights by factories that produce for brands like UNIQLO. It also demonstrates the disparity between what UNIQLO puts forward as its public image and what it actually does in reality.

On the one hand UNIQLO says that it will not conduct business with factories that fail to adhere to its code of conduct which protects workers' rights. Yet the four supplier factories investigated showed that there were widespread labour rights abuses that flouted Chinese labour law, as well as UNIQLO's code of conduct. UNIQLO says that there are strict controls in place to prevent excessive working hours, yet this report has shown that workers were working the equivalent of two full time jobs or 350 hours a month. Whilst it guarantees the rights of workers to organise and bargain collectively, UNIQLO has continued to support the factories as they physically assaulted workers to suppress strike action and rejected collective negotiations and worse still, taken no action when made aware of these abuses. UNIQLO guarantees that no monetary deductions will be made as a means of disciplinary action. This report exposes the falsehood of this guarantee as a worker caught ironing two sleeves at a time had an entire day's wage deducted as punishment.

UNIQLO's public image of portraying itself as a manufacturer that uses sound environmental practices in its production processes is also false. While Greenpeace has given UNIQLO awards for this, SACOM found evidence that factories producing for UNIQLO were using toxic chemicals with toxic waste flowing openly in the factories.

UNIQLO has consistently used its CSR to portray an image of a caring, ethical brand. Its

Workers Empowerment Project declares that UNIQLO cares about its workers. Yet if one digs deeper, the UNIQLO project provides charity with one hand, while UNIQLO denies their own workers' rights with the other.

UNIQLO is just one brand within a global system where fashion brands have evaded responsibility for workers making their clothes and get away with talking about their commitment to working conditions while their factory workers suffer. UNIQLO is part of the global garment industry that has collectively succeeded in mystifying the entrenched labour rights abuses of millions when it is clear that it is the brands who disproportionately benefit from the exploitation. Fashion brands actively drive and sustain human rights abuses through a system where countries and factories are at the mercy of the orders from brands who can specify their requirements down to the last stitch yet cannot guarantee basic labour standards are met. Workers are clear that this is due to a lack of trying. The factory audit system used by UNIQLO — whose own investigations show poor conditions which are not improving - is the norm for the industry even though this method of "due diligence" has failed in securing workers' rights for decades.

Voluntary commitments and standards exist to obscure the lack of accountability brands have for their factory workers and further enable the absolute impunity enjoyed by the industry. National and international laws that exist to protect workers have no traction with fashion brands and the factories that produce for them. This is because there is nothing to hold the companies accountable. There is no international law, or industry regulation that holds fashion companies to account for what happens in their supply chains. However, there is a move to introduce a legally binding instrument

to regulate the human rights impacts of transnational corporations at the United Nations through the UN Treaty process. The countries which are holding back the process are unsurprisingly the states that host the headquarters of the large multinational companies such as the UK, the USA and countries in Europe. But there are other countries including South Africa, Indonesia, China, India and Ecuador, together with more than 800 organisations, that support the move towards legally-binding accountability.

One gain made in the garment industry has been the commitment of some fashion brands to transparency by publishing the details of their supply chain. This is critical for workers and unions as this gives them information to hold fashion brands accountable for labour rights abuses. It also provides them with the power to lead targeted global campaigns. Fashion brands like H&M, GAP and Marks & Spencer have released this information. Yet there are others that proclaim having commitments to workers' rights, like UNIQLO, which have refused to make their supply chains public. Many have cited a commercial imperative for keeping these private – again putting profit before workers' rights.

The most tangible improvements in factory conditions have been fought and won by workers themselves with the support of unions and labour groups. Rhetoric in support of garment worker rights must be followed up by ensuring that workers gain access to the tools to fight for their rights.

Knowing the factories producing for global fashion brands provides organised garment workers with an unprecedented capacity to directly target brands and demand accountability. In the context of increasing access to communication, international solidarity among garment workers from different parts of the world is subverting

the competition fostered by the garment industry. Workers understand the part that they play in the garment supply chain. Labour rights abuses are no longer seen in isolation, but as an entrenched part of a global system where millions of workers are getting the short end of the stick while profits of fashion brands skyrocket. Workers are not asking for the boycott of brands. They are demanding their fundamental right to freely organise in factories without repression or repercussion.

Public pressure can create change: just weeks after the Rana Plaza factory collapse in Bangladesh, brands were forced - for the first time - to acknowledge direct responsibility for workers in their supply chain. This case of responding to UNIQLO's abuse of rights is demonstrative of the power of international solidarity among garment workers and campaign groups – together a force to be reckoned with.

Take Action!

Visit www.waronwant.org to:

- Join War on Want's campaign to push UNIQLO to publish its supply chain information
- Demand that UNIQLO commit to paying a living wage to workers and ensure they have the right to organise
- Ask UNIQLO #whomademyclothes
- Demand that UNIQLO provide justice for the illegally dismissed workers at Artigas and Zhong Yin factories

Notes

- ¹ <http://www.ibisworld.com/industry/china/apparel-manufacturing.html>
- ² http://info.hktdc.com/hktdc_offices/mi/ccs/index_static_type/20MajorProductsTop5Countrieseng.htm
- ³ www.cnga.org.cn/eng/about/Overview.asp
- ⁴ <http://www.eulerhermes.com/mediacenter/Lists/mediacenter-documents/Infographic-Chinese-exports-Feb15.pdf>
- ⁵ www.greenpeace.org – several investigations were done on fashion brands producing in China with reference to the use of hazardous chemicals in the production process that were affecting the health of Chinese workers and causing environmental devastation
- ⁶ <http://www.economist.com/news/briefing/21646180-rising-chinese-wages-will-only-strengthen-asias-hold-manufacturing-tightening-grip>; <http://www.bloomberg.com/news/articles/2016-03-22/china-s-great-wage-boom-seen-subsiding-with-unemployment-rising>
- ⁷ http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_325219.pdf
- ⁸ <http://www.afcio.org/Issues/Trade/China/Labor-Rights-in-China>
- ⁹ <http://www.economist.com/news/briefing/21646180-rising-chinese-wages-will-only-strengthen-asias-hold-manufacturing-tightening-grip>
- ¹⁰ <http://maps.clb.org.hk/strikes/en>
- ¹¹ <http://www.fastretailing.com/eng/group/strategy/tactics.html>
- ¹² <http://www.fastretailing.com/eng/csr/>
- ¹³ <http://www.uniqlo.com/uk/corp/model/>
- ¹⁴ <http://www.uniqlo.com/uk/corp/model/>
- ¹⁵ <http://www.uniqlo.com/uk/corp/model/>
- ¹⁶ http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e_08.pdf#page=1&pagemode=thumbs&zoom=80
- ¹⁷ http://www.fastretailing.com/eng/csr/report/pdf/csr2014_e.pdf
- ¹⁸ 'The glory and disgrace of UNIQLO' was written in 2011 by journalist Masuo Yokota
- ¹⁹ In the Netherlands, if a company fulfils requirements such as holding shares of other companies, its stock dividends will be tax free
- ²⁰ <http://clothesforsmiles.uniqlo.com/en/>
- ²¹ http://www.fastretailing.com/eng/csr/report/pdf/csr2015_e.pdf
- ²² <http://clothesforsmiles.uniqlo.com/en/project/detail3.html>
- ²³ <http://www.uniqlo.com/en/csr/businesspartners/fwep/>
- ²⁴ http://www.fastretailing.com/eng/csr/report/pdf/csr2014_e.pdf#page=001
- ²⁵ http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e_08.pdf#page=1&pagemode=thumbs&zoom=80
- ²⁶ http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e_08.pdf#page=1&pagemode=thumbs&zoom=80
- ²⁷ <http://www.newsweek.com/green-2015/top-green-companies-world-2015>
- ²⁸ <http://www.fastretailing.com/eng/csr/news/1501112030.html>
- ²⁹ https://www.fastretailing.com/eng/csr/report/pdf/csr2015_e.pdf

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